

A Labor Day Briefing for California

September 2008

State of California
Employment Development Department
Labor Market Information Division

This *Briefing* was prepared to report on California's labor markets as the nation commemorates Labor Day, September 1. This report presents significant labor market trends and topical statistics relating to the California economy.

Victoria L. Bradshaw, Secretary
Labor and Workforce Development Agency

Patrick W. Henning, Director
Employment Development Department

Dennis Petrie, Deputy Director
Workforce Services Branch

Steve Saxton, Chief
Labor Market Information Division

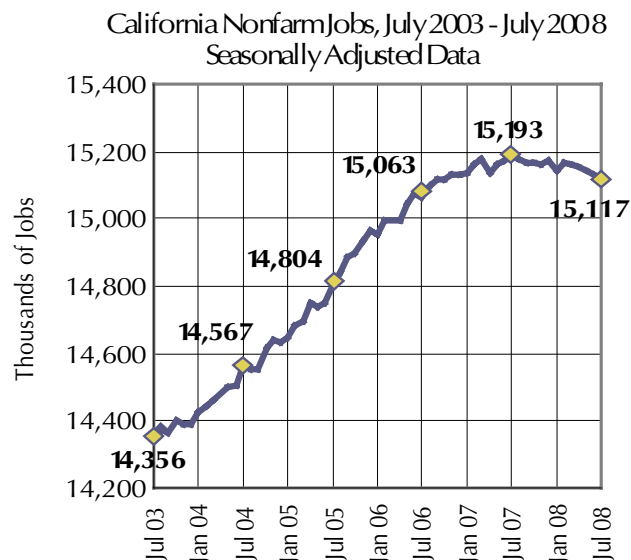
Media Contact:
Loree Levy, Deputy Director
Patti Roberts, Communications Officer
Public Affairs Branch, EDD
(916) 654-9029

Labor Markets in California and the Nation Weakened over the Last Year

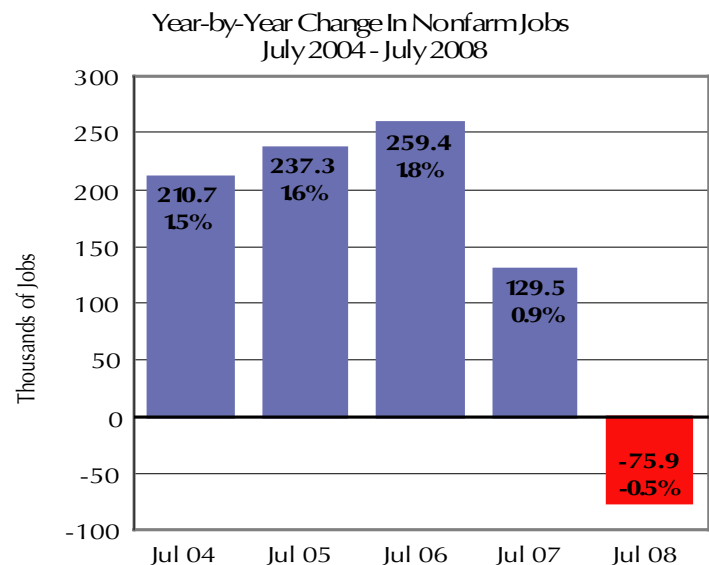
After four years of expansion, employment growth in California stalled over the last year as the economy wrestled with deepening problems in the State's troubled housing and real estate banking sector, a weakening national economy, a spike in gas prices, and rapidly rising food prices.

- California lost 75,900 jobs over the year ending in July 2008, ending four years of near-continuous job growth. California nonfarm payrolls grew by 836,900 jobs from July 2003 through July 2007, for an average of 209,200 jobs a year.
- The nation also experienced a reversal in job growth over the last year. U.S. nonfarm payrolls fell by 67,000 jobs over the year ending in July 2008. This compares to year-over job gains of 2.2 million and 1.5 million in July 2006 and July 2007, respectively.
- Although the U.S. and California have both experienced a slowdown in job growth over the last two years, California's has been more pronounced. California's pace of year-over job growth slowed from 1.8 percent in July 2006 to 0.9 percent in July 2007 before falling by 0.5 percent in July 2008. Nationally, the pace of year-over nonfarm job growth slowed from 1.7 percent in July 2006 to 1.1 percent in July 2007 to decimal points below zero percent in July 2008.

Job Growth in California Stalled over the Last Year . . .



. . . Ending Four Years of Continuous Growth



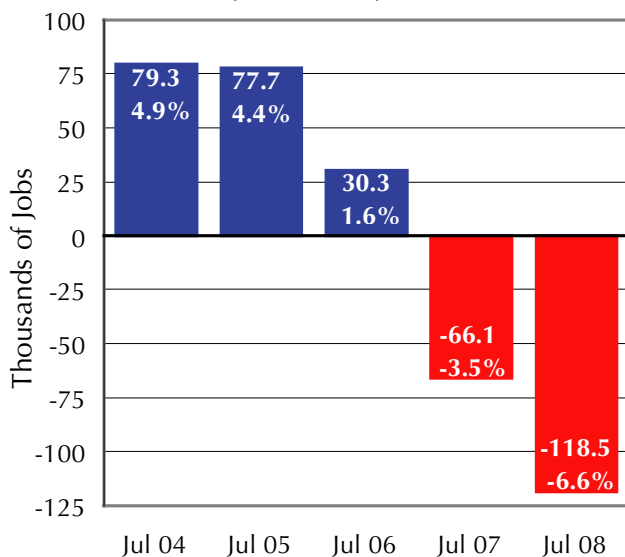
The Slowdown in Job Growth Has Been Concentrated in Housing and Real Estate with Some Spillover into the Larger Economy

California's slowdown in job growth largely reflects its vulnerability to the boom and bust in the State's housing and real estate sector.

- Nonfarm payrolls in California's construction and financial activities sectors, the two industry sectors most influenced by housing and real estate, grew by a combined 207,400 jobs (12.3 percent) from July 2003 through February 2006. These two industries accounted for one-third of the State's overall job growth and grew at three times the pace of the overall economy over the same period.
- Since their peak in employment in February 2006, California's housing-oriented industries have become a significant drag on the State's employment. From February 2006 through July 2008, the construction and financial activities sectors lost a combined 204,700 jobs.
- While total nonfarm employment in California fell by 75,900 jobs (0.5 percent) over the year ending in July 2008, job losses in construction and financial activities totaled a combined 118,500 jobs (6.6 percent). However, the rest of the California economy gained 42,600 jobs (0.3 percent).
- Problems in the State's housing and real estate sector deepened over the last year. In July 2008, year-over job losses in California's two housing-oriented sectors were nearly twice as large as in July 2007.
- While the non-housing sector of the California economy added 42,600 jobs over the last year, this pace of growth was well off that of prior years. Year-over job gains in total nonfarm payrolls excluding construction and financial activities totaled 229,100 and 195,600 in July 2006 and July 2007, respectively. At least some of this slower growth reflects job losses in housing-affected industries such as wood product manufacturing, and building material and supplies dealers that are not classified in either construction or financial activities.

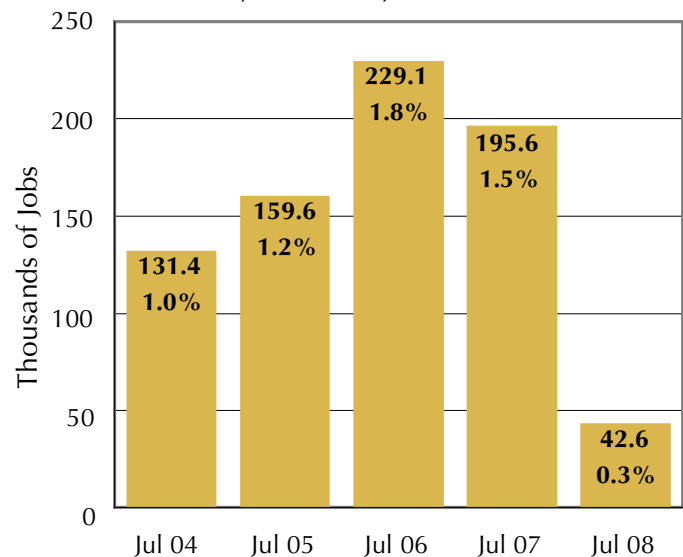
Job Losses Have Been Concentrated in Housing-Oriented Industries . . .

Combined Year-by-Year Change in Construction and Financial Activities Jobs
July 2004 - July 2008



. . . But Growth in the Rest of the Economy has Slowed

Year-by-Year Change in Nonfarm Jobs (excluding Construction and Financial Activities)
July 2004 - July 2008

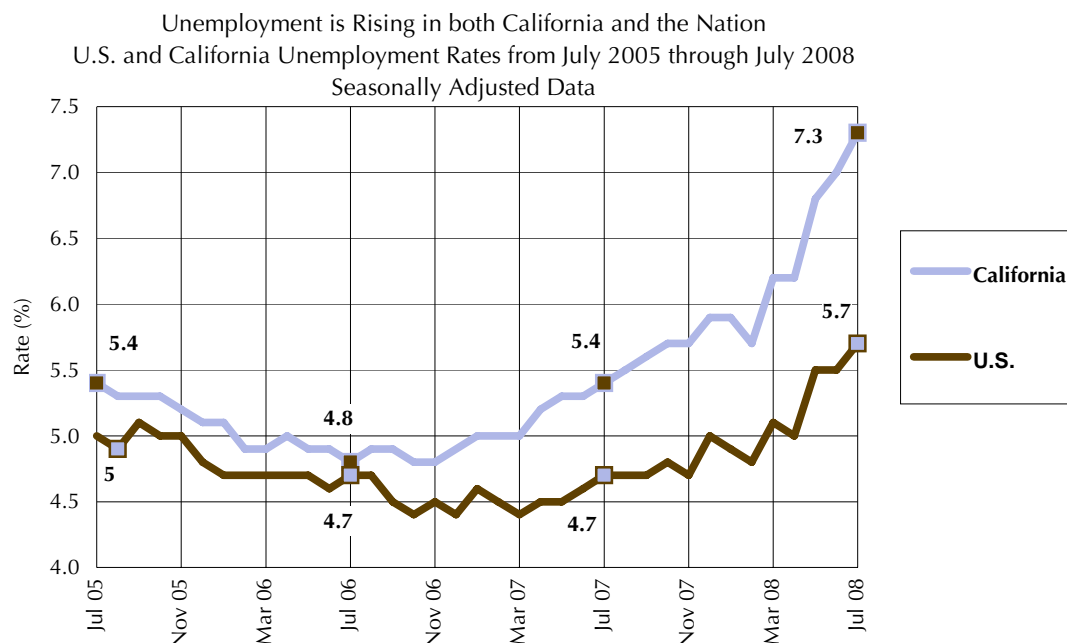


- From April to July of this year, California's year-over job growth in non-housing industry sectors slowed from 133,800 jobs to 42,600. Over the same period, nonfarm payroll fell by 37,200 jobs, accounting for nearly half the State's year-over job loss in July 2008. This three-month decrease in jobs corresponds with a spike in gas prices, pushing the average cost of a gallon of gas to over \$4.50 in much of the State. This suggests that the combination of record high gas prices and income effects from the continuing downturn in housing and real estate had a dampening effect on overall economic activity in the State.
- Industry data provide additional evidence that the slowdown spilled over from housing into the larger economy. In July 2008, six of California's 11 industry sectors experienced year-over job losses and five showed year-over gains. In July 2007, eight industries gained jobs over the year and three (construction, financial activities, and manufacturing) lost jobs.
- In July 2008, the largest year-over job losses were in construction (83,100) and financial activities (35,400). The other industry sectors with job losses were: manufacturing (30,900); trade, transportation, and utilities (20,500); information (7,800); and other services (800).
- In contrast, the educational and health services sector gained 47,000 jobs over the last year and showed little sign of the slowdown. The other industries with year-over job gains in July were: government (39,300), leisure and hospitality (9,200), professional and business services (6,200), and natural resources and mining (900).
- There were other bright spots in the year-over industry data. Year-over gains in the high technology-oriented and high-wage professional, scientific, and technical services industry totaled 14,600 jobs. This suggests that while the State's high technology industries are feeling the effects of the business cycle, their economic fundamentals remain strong. Despite a year-over loss of 22,900 jobs in retail trade, wholesale trade eked out a gain of 2,400 jobs, and transportation, warehousing, and utilities payrolls were unchanged. This suggests that the State's export sector has held up comparatively well.
- Although year-over job gains in government totaled 39,300 in July, it is difficult to imagine how this growth will be sustained in the future given budget difficulties at the State and local level.
- Looking forward, most economists predict that economic growth in California's economy will continue to sputter and stall until the State's housing sector turns around. Sharply declining home prices across the State signal that the adjustment process in the housing market is well underway. However, the housing market is not expected to stabilize and begin to recover before the end of 2008 or early 2009—after the wave of home foreclosures abates and the stock of foreclosed homes on the market clears.

California's Labor Force Statistics Also Show a Weakening in the Labor Market Over the Last Year

California's labor market weakened over the last year, with unemployment rising significantly and employment falling.

- California's unemployment rate rose to 7.3 percent in July 2008, the highest it has been since July 1996. The rate increased by 1.9 percentage points from July 2007. This compares to a 0.6 percentage point increase between July 2006 and July 2007.
- The number of employed Californians fell in July 2008 to 17,056,000, down 179,000 since July 2007. This over-the-year loss, while significant, is much less than seen during the early 1990s recession when year-over losses exceeded 500,000.
- The U.S. unemployment rate rose to 5.7 percent in July, an increase of 0.9 percentage point over the year. This compares to a year-over rate decrease of 0.3 percentage point in July 2006, and no change in the rate over the year ending in July 2007.



- In July 2008, the number of unemployed Californians rose to its highest level since May 1994. Over the last year, unemployment in the State rose by 374,000 (38.2 percent). This was a sharp increase from July 2007, when the year-over increase in unemployment totaled 113,000 people (11.0 percent).
- The number of employed Californians fell by 179,000 over the last year. In contrast, employment grew by 290,000 people and 186,000 over the years ending in July 2006 and July 2007, respectively.

Short-Term Industry Forecast 2007-2009

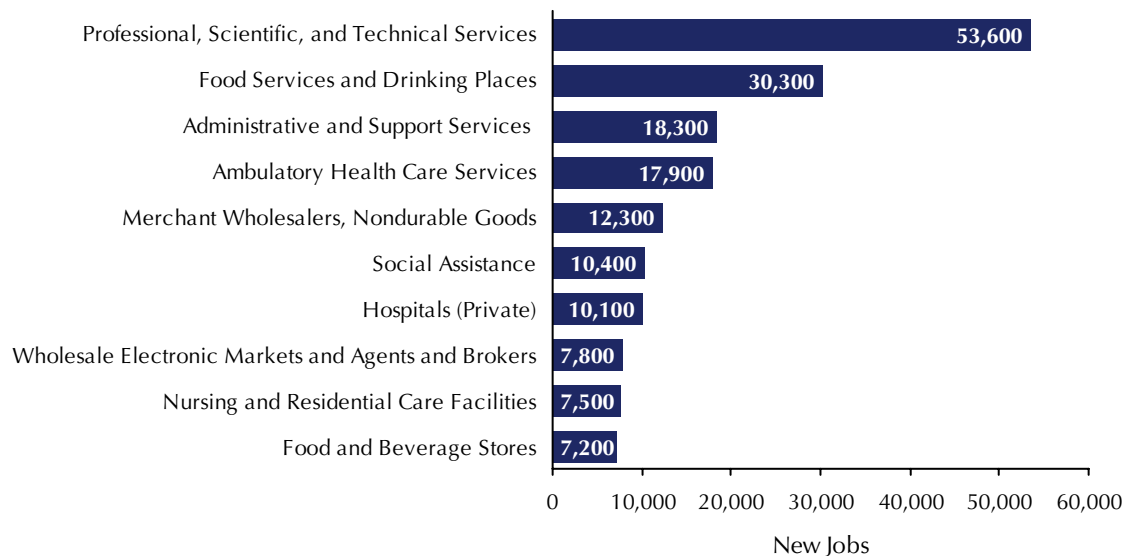
California's Employment Development Department (EDD) anticipates nonfarm employment will increase by 104,600 new jobs and reach approximately 15.3 million by 2009, an increase of 0.7 percent. About 75 percent of new Nonfarm Wage and Salary jobs are forecasted to occur in Professional and Business Services (68,600), Education and Health Services (58,800), and Leisure and Hospitality (37,700).

The EDD projects that Professional and Business Services will be the fastest growing major industry sector with an annual growth rate of 1.5 percent. Within this sector, the greatest concentration of job gain is likely to occur in Computer Systems Design and Related Services (17,300), Management, Scientific, and Technical Consulting Services (17,100), and Employment Services (12,000).

Construction will record the most job losses over the projected period, declining by 2.9 percent annually. About 70 percent of the decline in this sector is concentrated in Specialty Trade Contractors (-37,000). The projected decline in this industry is due to the effects of the subprime mortgage crisis with increases in foreclosures, growing housing inventories, and large reductions in new home construction.

The top growth industries for the 2007-2009 short-term projections are listed below. For more information about short-term projections for California, go to www.labormarketinfo.edd.ca.gov/?pageid=145.

California Top Ten Growth Industries, 2007-2009



Source: EDD Labor Market Information Division (LMID)
Short-term Employment Projections 2007-2009

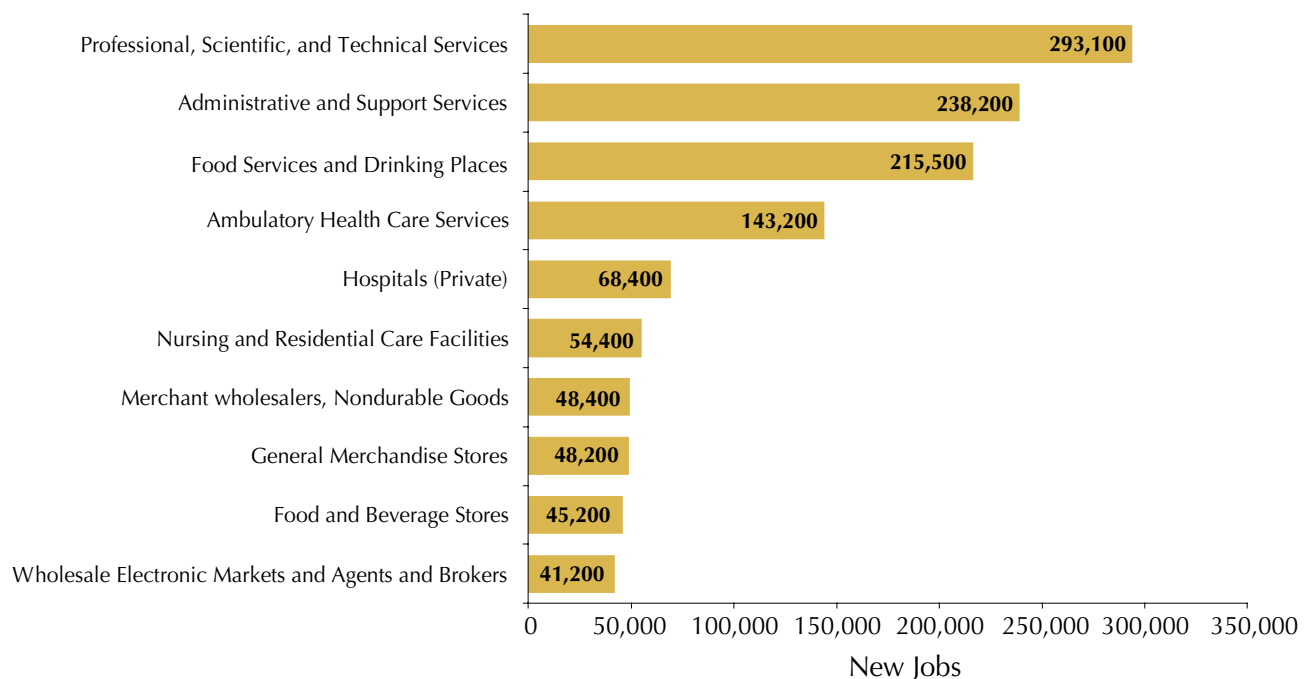
Long-Term Industry Forecast 2006-2016

Over the longer term, EDD expects California's nonfarm employment to grow at an average annual rate of about 1.5 percent. This growth will add over 2.3 million new jobs to reach nearly 17.4 million by 2016. About 79 percent of all new nonfarm jobs are expected to occur in the following major industry sectors: Professional and Business Services (533,600), Government (388,500), Education Services, Health Care and Social Assistance (386,800), Leisure and Hospitality (290,100), and Retail Trade (233,400).

- Professional, Scientific and Technical Services is the fastest growing sector and is expected to gain over 293,000 jobs representing an annual growth rate of almost 2.9 percent year, well over the annual average growth rate for all nonfarm jobs. Within this sector, the Computer Systems Design and Related Services industry is anticipating growth of over 87,000 new jobs or about 4.7 percent per year based on annual averages.
- Health Care and Social Assistance is expected to add over 307,000 jobs, a gain of about 2.3 percent annually as this sector expands in large part due to the increased demand for these services from an aging population.
- Local Government is expected to add the most new jobs, about 323,000, largely driven by gains in Local Education employment as the California population expands and demand for public education increases.
- The Construction industry experienced exceptional growth from 1996-2006, averaging approximately 8 percent annual growth rate during the building boom. However, since the building boom has ended, the forecast calls for more modest growth as the mortgage crisis continues to adversely affect the housing market and construction employment.

California's top growth industries for the 2006-2016 long-term projections period are listed below. For more information, go to www.labormarketinfo.edd.ca.gov/?pageid=145.

California Top Ten Growth Industries, 2006-2016



Source: EDD Labor Market Information Division (data are based on 3-digit NAICS industry codes)
Long-Term Employment Projections 2006-2016

Today's Jobs and Tomorrow's Opportunities

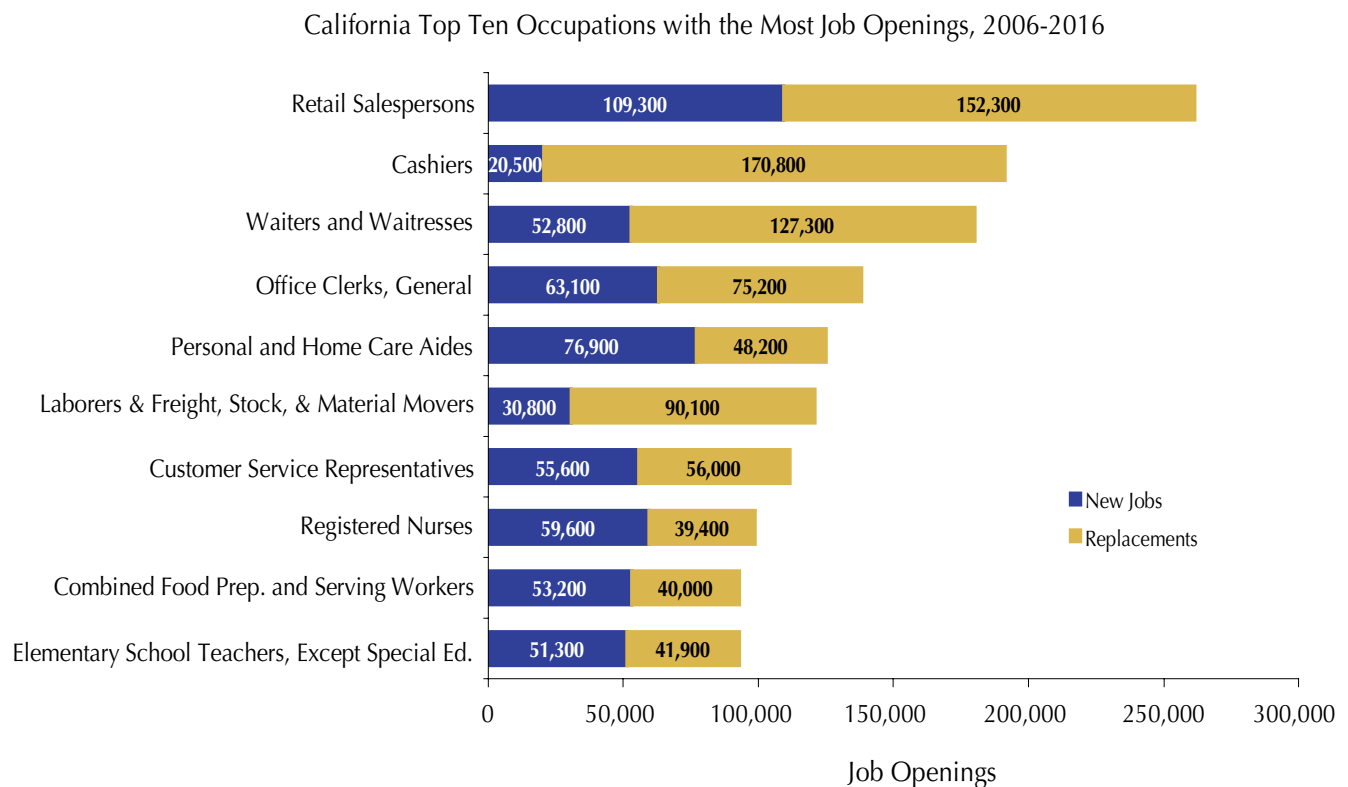
Even in this challenging economy, good jobs with staying power exist in California for those with the right training and skills. And more opportunities are coming.

The EDD recently identified examples of high demand/high wage occupations that have a combination of current job openings listed on EDD's *Cal/OBS* system, future job openings, and good annual earnings. Some require only a short training period, while others require two to four years of college. View *Today's Jobs and Tomorrow's Opportunities in California* and 12 regions within the State, online at www.edd.ca.gov/jobs_and_Training/Labor_Day_2008.htm. The list also features current California earnings and job outlook.

Jobseekers and career explorers looking for a quick desk reference guide to local job listings, career information, and training opportunities will benefit from EDD's "*Toolbox for Jobseekers*" at the end of this report.

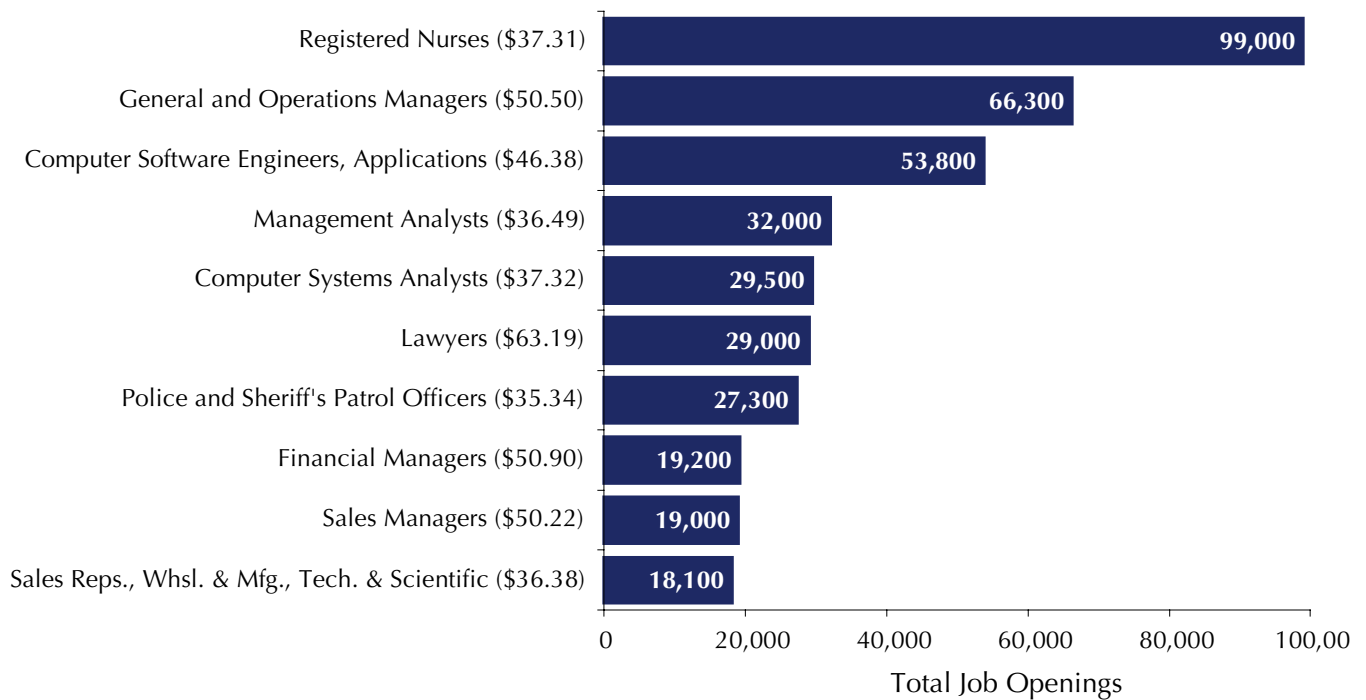
More detailed information about occupations is found in EDD's most popular product, the newly-designed *California Occupational Guides* series, now with local labor market information. Each *Guide* has up-to-date information on employment outlook, wages, licensing requirements, and training programs and now appears with two report options: summary and detailed. Click here: www.labormarketinfo.edd.ca.gov/occguides to get started.

Below are two tables of California's top ten occupations with the most openings and high-wage occupations for the 2006-2016 projections period. For more information about projections, go to www.labormarketinfo.edd.ca.gov/?pageid=145.



Source: EDD Labor Market Information Division (LMID)
Long-term Employment Projections 2006-2016

Ten High-Wage Occupations that will have the Most Job Openings, 2006-2016
(Median Hourly Wage in Parentheses)



Source: EDD Labor Market Information Division (LMID)
Projections of Employment by Occupation, 2006-2016
Occupational Employment Statistics Wage Survey, 2008

Toolbox for Job Seekers

Job Finding Tools

California One-Stop Career Centers provide free tools and resources for job seekers. Most centers offer:

- Career specialists to assist job seekers with assessments to identify and match their skills to occupations and make career decisions.
- Free access to phones and the Internet.
- A place where job seekers can browse occupations and explore careers, create and post their résumés, and use job search engines such as *CalJOBSSM* and *JobCentral* to find current job listings.
- Career and résumé-writing workshops.
- Community resources and referrals for training and other services.

To find the nearest *One-Stop Career Center*, go to www.edd.ca.gov.

CalJOBSSM is California's Internet job listing system that provides services to job seekers where they can search for jobs, post their résumés, and research prospective employers. Go to www.caljobs.ca.gov or access the *CalJOBSSM* Web site at your local *One-Stop Career Center*.

Laid off construction, mortgage, and real estate workers can get additional help through a new Talent Transfer program. Ten million dollars has been committed to help train these workers for jobs in similar fields, and to hold customized job fairs to connect them with immediate job openings and training opportunities.

In addition, laid off mortgage and real estate workers can learn what [transferable skills](#) they may have to meet the needs of in-demand occupations. To learn more about this labor market report on jobs with similar skills, as well as the Talent Transfer program, see the Jobs & Training section of the EDD Web site at www.edd.ca.gov under [Opportunities for Housing Industry Workers](#).

Career Exploration Tools

California Occupational Guides, in a new, interactive format, is California's long-recognized source for career information designed to assist individuals in making career decisions. Each *Guide* includes local and statewide information about training, current wages and job prospects, skills requirements, and day-to-day tasks. Go to www.labormarketinfo.edd.ca.gov/occguides to get started.

Also check out www.worksmart.ca.gov, a job-readiness program that can help job seekers build the applied skills employers say candidates need.

California's Reality Check provides calculators to determine real-life scenario costs of housing, transportation, and clothes for students and job seekers to determine their job world readiness. Go to www.californiarealitycheck.com.

Training Tools

Training opportunities are available through the *One-Stop Career Centers*. For information on what kind of training you'll need or where to get training, go to www.edd.ca.gov and click on Jobs and Training.

Information on apprenticeship training programs is available on the Department of Industrial Relations Web site. Job seekers may access the database to search for apprenticeship programs by individual counties and occupations at www.dir.ca.gov.